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City and Town

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State-Owned Land Valuation — 2005

by Marilyn H. Browne

The Division of Local Services' Bureau of Local Assessment (BLA) is changing the way it values certain state-owned land pursuant to M.G.L. Ch. 58 Secs. 13–17 and Ch. 59 Sec. 5G. State-owned land is valued to reimburse municipalities for loss of local property tax revenues on the Cherry Sheets or by MWRA for MDC Watershed land. The existing valuation approach is costly and the methodology is not readily transparent to local assessors. The new plan will maintain fair cash value standards, involve assessors in the valuation process and eliminate the need to hire outside consultants. BLA is also proposing legislative changes for future years that will make this plan work more timely. Throughout the development of this new process we have been working with and have the endorsement of the Massachusetts Association of Assessing Officers.

The new plan for valuing reimbursable state-owned land (SOL) takes advantage of two existing statutorily mandated programs: the triennial certification of property values and the biennial equalized valuation program (EQV). During the triennial certification, BLA field appraisers will review municipalities' SOL to ensure that the certified land schedules for residential, commercial and industrial property are properly developed and applied to the exempt SOL properties. If a community is not certified in the requisite timeframe for SOL valuation we will adjust their most recent certified values by the equalized valuation (EQV) percentages. This technique will ensure that all reimbursable

land across the Commonwealth is valued as of the same point in time and to ascertain fair reimbursement of funds to all cities and towns. In order to accomplish our goal several preliminary steps must be taken.

To make this program work in the best possible way, we are proposing legislation that would authorize SOL to be valued once every four years (rather than every five years). Increasing the frequency of valuation will make SOL values more reflective of the real estate market and align them more closely with EQV timetables. We are suggesting that there be a synchronization of SOL and EQV Appellate Tax Board (ATB) appeal periods. We are also seeking authorization to hold informal hearings of SOL values, similar to what already exists for EQV. BLA believes that by allowing informal hearings, appeals to the ATB will be reduced as well as corresponding municipal and state litigation costs.

State classification codes must be developed so that assessors and BLA can easily identify reimbursable and non-reimbursable SOL electronically. This has been done and assessors were notified last November of the new three-digit codes.

Probably the most significant step is that of outreach and reconciliation. We will send out data from our computerized SOL database to boards of assessors this winter. Our appraisal staff will then work with them to reconcile any discrepancies in our respective records in advance of the 2005 SOL valuation.

Since some of the land was acquired by the state in the 1800s, this may be a daunting task in some municipalities.

Simple statewide guidelines for valuing SOL will be developed and become part of the certification *Guidelines for Development of a Minimum Reassessment Program*. These will likely include such components as: standardized tables for large acreage discounts and lot absorption rates; requirements that lots being considered buildable are on accepted streets that are open to the public and maintained year round, etc. All of these criteria have been previously used by BLA in valuing SOL to ensure statewide equity.

Because only one-third of communities certifies their property values in any given year, arrangements must be made to update the land of the other two-thirds. For those communities BLA

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From the Acting Deputy Commissioner

A common question that local officials often hear from taxpayers is "Why did my tax bill go up more than 2.5 per-

cent?" Although Proposition 2½ has been on the books since FY82, there is still some confusion about its meaning and how it affects annual property taxes.

To answer this question, it is important to point out that since Proposition 2½ regulates the *levy limit* rather than the *actual amount levied*, taxpayers' bills may increase more than 2.5 percent in a given year. These increases often occur when in one year the community decides not to levy to its limit and then in the following year levies up to the limit. Also, new growth, voted overrides and debt exclusions can all increase the amount levied. In addition, an individual tax bill may increase more than 2.5 percent as a result of property revaluation, when, for instance, new construction is completed. An increase also may occur when a particular neighborhood's values appreciate faster than another's.

To learn more about the fundamentals of Proposition 2½, download a copy of *Levy Limits: A Primer on Proposition 2½* from our website (www.dls.state.ma.us) under "Publications and Forms." For new officials, the Division provides an overview of the mechanics of Proposition 2½ at our annual New Officials Forum, which will be held in June 2003. Watch for a registration bulletin in March.

Gerard D. Perry
Acting Deputy Commissioner

Legal

in Our Opinion

Payments in Lieu of Taxes for Municipal and District Land

by James Crowley

As a general matter, all real and personal property owned by a city, town or district and held for public purposes is exempt from local taxation regardless of its location. This exemption is not statutory. Rather, it is based on the common law principles of propriety, justice and expediency. The rationale for exemption is that property held or used for the public benefit should not be required to pay public expenses. *Tax Collector of North Reading v. Reading*, 366 Mass. 438 (1974); *Collector of Taxes of Milton v. Boston*, 278 Mass. 274 (1932).

If the real estate is located in other municipalities, however, the city, town or district may have to make a payment in lieu of tax (PILOT) each year to the host community. M.G.L. Ch. 59 Secs. 5D-5G. Different provisions apply depending on the acquisition date and property use, but in all cases the payments are determined by applying the host municipality's annual tax rate to a "statutory valuation." An initial valuation is established under the applicable statute and is then redetermined periodically.

The first category of property subject to a PILOT is land acquired before January 1, 1946 for water supply, watershed, sewage disposal or for a public airport if yielding no rent (pre-46 property). Under M.G.L. Ch. 59 Secs. 5D and 5E, a city or town holding pre-46 property in another city or town, or a district holding such property, must make a PILOT to the community where the property is located. The PILOT is based on the average assessed value of the land *only* (with the exception of any buildings on the land at the time acquired if acquired to protect the sources of an existing

water supply) for the three years prior to acquisition.

Whenever the host community revalues, the assessors must redetermine the value in order to bring the PILOT back to substantially the same level as before the revaluation. The reason is that the payment typically drops in revaluation years because the tax rate is lower. The redetermination is made between January 1 and June 1 of the year following the revaluation by dividing the PILOT in the fiscal year before revaluation by the commercial tax rate in the revaluation year. The new "valuation" is then used to calculate the PILOT in the year after the revaluation. For example, if a host community revalues property for fiscal year 2003, the assessors must redetermine the value between January 1, 2003 and June 1, 2003 and send written notice to the city, town or district that owns the property. If the city, town or district disputes the value, it may appeal to the Appellate Tax Board (ATB) within six months after the written notice.

If the land was acquired on or after January 1, 1946 (post-46 property), the provisions of M.G.L. Ch. 59 Sec. 5F apply. Under that statute, a city or town holding post-46 property for *any* public purpose in another city or town, or a district holding such property in a city or town that is not a member of the district or within district boundaries, on January 1 must make a PILOT to the host community for that year. The initial valuation is based on the average assessed valuation of the land and buildings on the three assessment dates preceding the acquisition. Whenever the host community undergoes a triennial certification of values, the assessors adjust that valuation to the current fair cash valuation of the land in order to establish a new payment level to the host community. The new value is implemented in the year following certi-

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Focus

on Municipal Finance

Short-term Borrowing and the State House Note Program

by William Arrigal and William Meehan

Municipal short-term borrowing in Massachusetts is utilized to meet cash requirements prior to receipt of revenue, grants or bond proceeds. This borrowing may be conducted internally within a fiscal year by cities, towns and districts through the so-called interfund borrowing act, M.G.L. Ch. 44 Sec. 20A. Most short-term borrowing, however, requires the issuance of notes.

Certification of Notes by Commercial Banks

Certification as to the validity of the borrowing is a prerequisite in order for a municipality to access the credit market. The certification procedure consists of bond counsel review and preliminary opinion on the authority of the municipality to borrow. Upon conclusion of the sale, notes are prepared, either by the municipality or its agent, signed by the treasurer and countersigned by the mayor or a majority of the selectmen as the case may be, and forwarded to the certifying bank. The certifying bank confirms the signatures of the local officials on the notes while also reciting the approving opinion of bond counsel prior to its delivery of the notes to the purchaser.

State House Note Program

The State House Note Program, administered by the Division of Local Services's Bureau of Accounts, is a note certification procedure which is an alternative to the certification procedure discussed above. Established by legislative act in 1910, the State House Note Program received its "State House" designation by virtue of the Bureau of Accounts's original office loca-

tion within the capitol building. The program continues to provide a useful service to municipal issuers, especially the smaller towns and districts. In towns and districts that do not have a credit rating from a national credit rating agency, and are borrowing short-term in relatively small amounts, the State House Note Program provides a convenient and low-cost certification mechanism. In the case of short-term notes placed with local banks, the Bureau of Accounts's location in downtown Boston serves to facilitate settlement activities. All cities, towns and districts in Massachusetts have the option of using the State House Note Program.

Under the State House Note Program, following the sale, notes, commonly referred to as "State House Notes," are prepared for the total amount to be borrowed. The treasurer may either use forms provided by the Bureau of Accounts to prepare the notes or notes prepared by a bank in the appropriate format. In the case of the issuance of State House Notes by a town, the notes are signed by the treasurer, and, as is statutorily required, countersigned by a majority of the selectmen in the presence of the town clerk. A Certificate of Town Clerk is prepared, which includes a certification of the clerk that the treasurer and selectmen were duly authorized and qualified when the note was signed, and a certified copy of the loan authorization if applicable. It has been a long-standing practice of the Bureau of Accounts to require an approving opinion of bond counsel for bond anticipation notes where the authorization is \$500,000 or more. The treasurer then submits the notes, the completed Certificate of Town Clerk and the note certification fee to the Bureau of Accounts. Note certification by the Director of Accounts is addressed in M.G.L. Ch. 44 Sec. 24: "If upon examination the note appears to the director to have been

duly issued in accordance with law and the vote of the city, town, or district authorizing it, or in accordance with an act of the general court, and to have been signed by the duly qualified officials of such city, town or district, he shall so certify..." The statute empowers the Director of Accounts to require such information so as to enable him to certify notes. The Bureau of Accounts requires the town treasurer to submit a cash flow report in support of revenue anticipation notes and copies of grant agreements with respect to federal and state grant anticipation notes. With respect to regional school district revenue anticipation notes, copies of the regional district committee borrowing authorization, the district member assessment form, and a cash flow report are required.

Certification of notes through the State House Note Program does not convey any greater or lesser borrowing capacity, i.e., the authority to borrow is statutory, either by general or special law.

Recent Trends

Over the past decade there has been a decline in state house note certifications for revenue anticipation notes. The adoption of quarterly tax bills, the ability to execute interfund borrowings beginning in 1992, and the generally good annual financial results of municipalities in Massachusetts have reduced the need for this type of borrowing.

The acceptance in the mid-1990s of State House Notes for book-entry ownership system services by the Depository Trust Company (DTC) in New York, New York has improved the market for State House Notes and resulted in a more competitive bidding environment and more favorable rates for issuers. Under the book-entry system, DTC acts as depository for the securities being issued. Purchases and transfers of own-

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FY2002 State House Note Issues

<u>Issuer</u>	<u>State House Note Issues</u>	<u>Issuer</u>	<u>State House Note Issues</u>	<u>Issuer</u>	<u>State House Note Issues</u>
Abington	6	Chesterfield	3	Hillcrest Sewer District	2
Acton Boxborough RSD	1	Chesterfield Goshen RSD	1	Hinsdale	1
Acushnet	3	Chilmark	1	Holbrook	1
Adams Cheshire RSD	5	Clarksburg	2	Holland	4
Amesbury	3	Cohasset	2	Hopedale	1
Amherst	5	Colrain	2	Hopkinton	9
Amherst Pelham RSD	3	Cotuit Fire District	2	Hubbardston	13
Aquinnah	1	Cummington	1	Hudson	1
Arlington	1	Dalton	1	Huntington	2
Ashburnham	2	Dedham	2	Lakeville	2
Ashby	3	Dennis	1	Lancaster Sewer District	1
Ashfield	5	Dennis Water District	1	Lee	1
Ashfield Water District	9	Dennis Yarmouth RSD	2	Leicester	1
Athol	2	Dighton	2	Leverett	7
Athol Royalston RSD	2	Dighton Rehoboth RSD	1	Lincoln	3
Avon	1	Dover Sherborn RSD	1	Lincoln Sudbury RSD	1
Barnstable Fire District	3	Dracut	1	Littleton	3
Barre	1	Dracut Water Supply District	1	Longmeadow	1
Becket	4	Dudley	3	Ludlow	3
Bedford	3	Dudley Charlton RSD	1	Lynnfield	2
Belchertown	5	Dunstable	3	Malden	1
Bellingham	1	Duxbury	1	Manchester-by-the-Sea	6
Belmont	1	Eastham	3	Mansfield	1
Berkley	1	Edgartown	2	Marblehead	3
Berkshire Hills RSD	6	Egremont	1	Marion	1
Bernardston Fire & Water District	3	Erving	2	Marshfield	3
Billerica	2	Essex	5	Martha's Vineyard Refuse & Recovery District	2
Blackstone	2	Falmouth	1	Mashpee	2
Blackstone Valley VRSD	1	Florida	1	Mashpee Water District	2
Blandford	2	Freetown	3	Mattapoissett	1
Bolton	1	Freetown Lakeville RSD	1	Maynard	6
Bourne	3	Gateway RSD	3	Medway	4
Boxborough	4	Georgetown	1	Melrose	2
Boxford	2	Gill Montague RSD	8	Mendon	3
Brewster	2	Goshen	1	Mendon Upton RSD	2
Bridgewater	1	Greater New Bedford RVTHSD	1	Merrimac	1
Bridgewater Raynham RSD	1	Grafton	2	Metropolitan Area Planning Council	5
Bristol County	1	Granby	6	Middleborough	7
Buckland	2	Granville	1	Middlefield	6
Buckland Fire District	1	Great Barrington	1	Middleton	1
Buzzards Bay Water District	3	Groton	1	Milford	11
Byfield Water District	1	Groveland	4	Millis	5
Canton	1	Hadley	1	Milton	1
Carlisle	4	Hamilton Wenham RSD	1	Mohawk Trail RSD	1
Carver	2	Hampden	1	Monson	2
Centerville Osterville Fire District	1	Hampden Wilbraham RSD	1	Montague	15
Central Berkshire RSD	2	Hampshire RSD	5	Monterey	3
Charlemont	1	Hancock	1	Montgomery	1
Charlton	6	Hanson	6	Mount Greylock RSD	3
Chatham	2	Harwich	6	Nahant	4
Chelmsford	1	Hatfield	2	Narragansett RSD	2
Cherry Valley Sewer District	4	Hawlemont RSD	7	Nashoba RSD	4
Cheshire	1	Hawley	1	Nashoba Valley THSD	1
Chester	9	Heath	11		

Table 1

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FY2002 State House Note Issues

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<u>Issuer</u>	<u>State House Note Issues</u>	<u>Issuer</u>	<u>State House Note Issues</u>	<u>Issuer</u>	<u>State House Note Issues</u>
Natick	1	Randolph	4	Tewksbury	1
New Braintree	2	Raynham	2	Tisbury	1
New Salem	3	Raynham Center Water District	1	Tolland	4
Newbury	3	Reading	1	Truro	11
Newburyport	2	Rehoboth	1	Tyngsborough	1
Norfolk	6	Rockland	6	Tyringham	1
Northborough-Southborough RSD	3	Rutland	4	Upper Cape Cod RVTSD	1
North Adams	2	Salisbury	1	Wachusett RSD	1
North Attleborough	3	Sandwich	3	Ware	2
North Brookfield	3	Saugus	1	Wareham	4
North Chelmsford Water District	1	Savoy	2	Wareham Fire District	2
North Middlesex RSD	1	Scituate	1	Warren	5
North Sagamore Water District	1	Seekonk	3	Warwick	1
Northampton	1	Seekonk Water District	2	Washington	2
Northbridge	1	Sharon	1	Wayland	3
Northern Berkshire VRSD	2	Sherborn	12	Webster	11
Norton	4	Sherwood Forest Road Maintenance District	2	Wellfleet	13
Norwell	1	Shirley	4	Wendell	2
Oak Bluffs	6	Shirley Water District	1	West Barnstable Fire District	1
Oak Bluffs Water & Sewer District	3	Shutesbury	2	West Bridgewater	2
Oakham	1	Silver Lake RSD	1	West Newbury	1
Old Rochester RSD	2	South Deerfield Fire District	2	West Tisbury	2
Onset Fire District	1	South Hadley	5	Westfield	2
Orange	2	Southampton	4	Westford	2
Orleans	1	Southborough	2	Westhampton	2
Palmer	4	Southbridge	1	Westminster	6
Paxton	2	Southern Worcester County RVSD	2	Weston	1
Pelham	5	Southwick	3	Westport	2
Pembroke	4	Southwick Tolland RSD	2	Whitman Hanson RSD	1
Pepperell	1	Spencer	1	Whittier RVTHSD	2
Peru	2	Spencer East Brookfield RSD	1	Wilbraham	1
Petersham	6	Stiles Lake Water District	1	Williamsburg	4
Phillipston	4	Stoneham	1	Williamstown	1
Pioneer RSD	1	Stoughton	1	Wilmington	1
Plymouth	1	Stow	1	Winchendon	6
Plympton	4	Sturbridge	1	Winthrop	1
Princeton	2	Sunderland	6	Wrentham	6
Provincetown	13	Sutton	3	Yarmouth	3
Quabbin RSD	4	Swansea	9		
Quaboag RSD	1	Templeton	9		
Ralph C Mahar RSD	1			Total number of State House Note Issues	774

SOL

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will adjust their most recently certified SOL value by the most recently finalized or proposed residential, or commercial and industrial EQV percentage. Use of EQV data is a long-standing practice in other local aid programs. New SOL acquisitions would continue to use the municipal valuation from the year prior to acquisition until the next SOL revaluation.

Overall, we believe that the most significant advantage of this new program, in addition to the cost savings, is the involvement of local assessors in the

valuation process. Over the years we have received numerous requests for explanations of how the land was valued. The new methodology will be evident to assessors. Reconciling our databases will eliminate municipal uncertainty over what portions of SOL are eligible for reimbursement. The initial job of getting this program up and running will be time-consuming for some but once done, the valuing of state-owned land will be straightforward and easier in the future. ■

Payments in Lieu of Taxes

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cation. As with pre-46 property, the assessors must notify the city, town or district owning the land of the new value and the owner, if aggrieved by the new valuation, can appeal to the ATB.

Valuations used to calculate a PILOT required by M.G.L. Ch. 59 Secs. 5D–5F cannot be adjusted to include structures built on the land after acquisition. For example, the assessors cannot add the value attributable to a water purification plant built in 2001 on land the community acquired in 1954 to the adjusted or redetermined valuation. The reason, according to the Supreme Judicial Court, is that basing the PILOT on the value of land and any improvements as of the January 1 assessment date each year would be the equivalent of assessing an annual tax on the parcel and would render meaningless the phrase “payment in lieu of tax.” *Avon v. Brockton*, 355 Mass. 401 (1969).

The third category of property subject to a PILOT is land held by the Division of Watershed Management of the Metropolitan District Commission (MDC) on behalf of the Massachusetts Water Resources Authority (MWRA) in the Quabbin, Wachusett, Sudbury and Ware watersheds for water supply or protection purposes. Under M.G.L. Ch. 59 Sec.

5G, the MWRA, through the MDC, must make a PILOT annually to any city or town where the MDC holds such land on January 1. These payments are also based on the value of land only (with certain exceptions) and the host community's tax rate, but the valuation is determined by the Commissioner of Revenue every five years when he values state-owned land at its current fair cash value under M.G.L. Ch. 58 Secs. 13–17. If there is a revaluation during any five-year cycle, the value of the watershed land is adjusted by the local assessors in the year after the revaluation in the same manner as pre-46 property by dividing the PILOT in the fiscal year before revaluation by the commercial tax rate in the revaluation year. There is also a hold-harmless provision, under which the PILOT for any year cannot be less than that of the prior year.

All of these PILOTs are billed by and made to the treasurer of the host community. Because the parcels are exempt from taxation there is no commitment by the assessors to the collector and no lien exists to secure collection. The host community would have to bring a legal action to collect any payment that is not made. ■

State House Notes

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ership are executed through computerized book-entry transfers, thereby eliminating the physical movement of the securities. The ease of re-sale afforded to large institutional purchasers by the use of the DTC book-entry system has had a positive influence.

FY2002 Activity

During FY2002 the Bureau of Accounts's State House Note Program conducted certifications of 774 issues of State House Notes for 280 municipalities with an aggregate issue amount of \$519.8 million. Of those 774 issues, 741 were for short-term borrowing totaling \$508.7 million. The short-term note issues were in amounts from as little as \$4,000 to as much as \$8.6 million.

There were 17 “Serial Issues” totaling \$5.84 million certified by the Director of Accounts. These are considered by all definitions to be long-term debt. The amounts of these issues ranged from \$75,000 to \$780,000. The terms of the loans were as short as two years and as long as 20 years. In general, State House Note serial issues are usually under \$1 million for terms of five years or less. There is not a great demand by financial institutions for serial note issues. In almost all instances long-term debt is issued as bond issues which are not certified by the Director of Accounts.

In addition to the 17 serial issues there were 16 “Refunding Notes” issues certified totaling \$5.28 million.

Table 1 lists the municipalities which utilized the State House Note program during FY2002 and the number of issues certified for each. ■

DLS Update

Gerard Perry Named Acting Deputy Commissioner

Deputy Commissioner Joseph J. Chessey, Jr. recently left the Division of Local Services. He served the Division for almost six years and we wish him well. Gerard D. Perry, associate deputy commissioner of DLS and 20-year veteran of the Department of Revenue, has been appointed acting deputy commissioner.

New Municipal Finance Knowledgebase

The Division of Local Services' (DLS) website (www.dls.state.ma.us) now features a Municipal Finance Knowledgebase that is the beginning of a new way of publishing information for local officials. The links have familiar titles: Glossary, Levy Limits: A Primer on Proposition 2½, Municipal Calendar, Property Type Codes, and Uniform Municipal Accounting System Manual (1980 version). However, instead of simple electronic versions of these publications, these texts have been broken into topics. These topics are linked to related information within the original publication and in other materials. In the months ahead, DLS plans to add other publications to this Knowledgebase.

In the past, DLS has periodically published thick manuals for various municipal functions such as manuals for assessors, treasurers and collectors. Updating and reproducing these heavy bound publications was labor intensive and costly. Publishing to the Knowledgebase allows updates to be posted immediately, so that manuals and other information can reliably reflect the latest legislation, regulations, or adminis-

trative guidelines. A new requirement in an electronic assessors' manual, for example, can be linked to the actual law as well as to an electronic tutorial. The potential is for one-stop information shopping for local and state officials, delivered in the most efficient way possible.

Web Resources

The following organizations provide information of interest to local officials via these websites:

- www.gfoa.org — Through the Government Finance Officers Association (GFOA) website users can locate membership, training and software information. Information on the association's research is also available.
- www.mgfoa.org/mgfoa — The Massachusetts Government Finance Officers Association (MGFOA) provides information toward their goal of "promoting the advancement of the profession of public finance in Massachusetts."
- www.iaao.org — The International Association of Assessing Officers' (IAAO) site has information for those in the assessment profession and others with an interest in property taxation.
- www.icma.org — The International City/County Management Association (ICMA) website is a source of information on professional local government management. The site also posts information on conferences, workshops, meetings and publications.
- www.doc.gov — Users of the U.S. Department of Commerce's site have access to information on economic development, business development and the U.S. Census Bureau.

Circuit Breaker Credit Update

For tax years beginning on or after January 1, 2001, an owner or renter of a principal residence located in Massachusetts who is age 65 or older, at the close of the taxable year, may be eligible to claim a refundable tax credit against personal income taxes. Known as the "circuit breaker credit," this credit is based upon the actual real estate taxes or rent paid by a taxpayer eligible to claim the credit.

In accordance with the circuit breaker statute, for purposes of calculating the circuit breaker credit total income, assessed valuation and maximum credit thresholds are adjusted annually by multiplying the statutory base amounts of these thresholds by the cost-of-living adjustment for the calendar year in which the taxable year begins.

For renters and homeowners in tax year 2002, the taxpayer's "total income" cannot exceed \$42,000 for a single individual who is not the head of a household; \$53,000 for a head of household; and \$63,000 for a husband and wife filing a joint return.

For tax year 2002, the assessed valuation, before the residential exemption but after the abatements, of the homeowner's principal residence may not exceed \$425,000.

For homeowners and renters, the maximum credit available in 2002 is \$790. For more information on the 2002 circuit breaker credit, refer to Technical Information Release (TIR) 02-20. This TIR can be accessed through the Department of Revenue's website (www.mass.gov/dor) under Rulings and Regulations. ■

DLS Update

Title 5 Credit

by Louise Adler

An owner of Massachusetts residential property who is not a dependent of another taxpayer and who occupies the property as a principal residence is allowed a credit for the expenses incurred for the repair or replacement of a failed cesspool or septic system. This is in accordance with the provisions of the State Environmental Code, Title 5, as promulgated in 310 CMR 15.000 et seq., by the Department of Environmental Protection (DEP) in 1995.

Qualified expenses incurred to bring a failed system into full compliance may include an upgraded system, an alternative system, a shared system, or a connector to a sewer system.

The amount of the Title 5 credit that may be claimed by a taxpayer is equal to 40 percent of \$15,000, the qualified Title 5 expenses ($.40 \times \$15,000 = \$6,000$), or the taxpayer's actual costs, whichever is less. The maximum amount of the credit that may be claimed in any tax year is \$1,500. The maximum aggregate amount of the credit that may be claimed is \$6,000. In the computation of the credit, any interest subsidy received from the Commonwealth must be subtracted. The credit may be claimed beginning in the tax year in which the repair or replacement work is completed.

If the credit exceeds the tax due, the excess credit may be carried forward for up to five succeeding tax years (this change took effect for tax years beginning on or after January 1, 1998). If a taxpayer voluntarily repairs or replaces a cesspool or septic tank, this credit is not available since it is not considered a "failed" system under Title 5.

A taxpayer who is required to connect a septic system to the city or town sewer system, pursuant to a federal court order, consent decree, or similar man-

date from a federal court of competent jurisdiction, may claim the Title 5 credit. This claim can be made notwithstanding that the taxpayer's septic system was not inspected and determined to be a "failed system" and no Certificate of Compliance was issued to the taxpayer. See Technical Information Release (TIR) 99-5 below.

In order to claim the credit, a taxpayer must obtain a verification letter from the city or town in lieu of the Certificate of Compliance.

Any taxpayer who is required to connect a septic system to the city or town sewer system, pursuant to an Administrative Consent Order from the Massachusetts Department of Environmental Protection, a Massachusetts state court order, consent decree, or similar mandate from a state court of competent jurisdiction, may claim the Title 5 credit. Similar to a federal court order, this claim can be made notwithstanding that the taxpayer's septic system was not inspected and determined to be a "failed system" and no Certificate of Compliance was issued to the taxpayer. See Directive (DD) 01-6: The Title 5 Credit and State Mandated Sewer Connections.

In order to claim the credit, a taxpayer must obtain a verification letter from the city or town in lieu of the Certificate of Compliance.

The following references provide further information on the Title 5 credit.

- M.G.L. c. 62, s. 6(i), as amended by St. 1999, c. 127, s. 281; as amended by St. 1998, c. 175, s. 18.
- TIR 99-20: Title 5 Septic System Expenditures Credit — Calculation of Subsidy Deduction.
- TIR 99-5: The Title 5 Credit and Federally Mandated Sewer Connections.

- TIR 98-8: Massachusetts 1998 Reducing Income Taxes Act.

- TIR 97-12: Personal Income Tax Credit for Failed Cesspool or Septic System Title 5 Expenditures.

- DD 01-6: The Title 5 Credit and State Mandated Sewer Connections.

STAR 2003

The Commonwealth of Massachusetts' Operational Services Division (OSD), will present the STAR (Statewide Training and Resources) exposition on April 8-9, 2003 at Worcester's Centrum Centre from 8:30 a.m. to 2:30 p.m. STAR is funded entirely by its exhibitors and is free to all employees from state agencies, cities, towns, schools, other political subdivisions and human and social service agencies.

For two days STAR will bring together many of the Commonwealth's statewide contractors who provide commodities. STAR will offer workshops on procurement regulations, stress management and other vendor sponsored informational sessions. Several exhibitors that have already agreed to participate include vendors of office equipment, recreation supplies, clothing, facilities, medical equipment, information technology and telecommunications.

OSD establishes contracts for commodities and services on behalf of all state departments, which cities and towns and human service providers can also use. STAR offers attendees opportunities to learn more about these products and services while meeting the contractors in a hands-on environment.

STAR also offers education workshops, special training, and musical entertainment. For more information and to register online visit STAR at www.mass.gov/star. ■

DLS Profile: BLA Field Appraisers

Joanne Graziano and **Thomas Dawley** work in the Division of Local Services' (DLS) Boston office as field appraisers for the Bureau of Local Assessment (BLA). While Joanne has many years of experience working with communities on their valuation processes, Tom is a relative newcomer to the assessment field.

Joanne began her career in assessment in the early 1980s by working for valuation consulting firms. Eventually, she worked for the City of Boston in the assessors' office and held various positions there over the course of 12 years. In April 2001, she began working for the Division. Joanne received a bachelor of science degree from the University of Rhode Island and also attained the designation of Massachusetts Accredited Assessor in 1990. She also participates as an instructor in DLS' Course 101 for assessors. Though she hails from Rhode Island, Joanne currently resides in Boston.

George Moody, assessor for the Town of Brookline, said that Joanne "is very professional. Through her efforts, Brookline was one of the first communities to receive certification, and consequently, we got our tax bills out early. She really kept us on schedule."

Joanne is also assisting with training Tom as a field appraiser. Soon, he will begin overseeing the valuation processes in six communities. Tom graduated from Northeastern University with a bachelor's degree in political science. Originally from Revere, he now lives in Swampscott. ■



Thomas Dawley and Joanne Graziano

Online GASB 34 Forum

The Governmental Accounting Standards Board (GASB) has issued Statement 34, which dramatically changes the financial reporting model for governments. This change in reporting is being phased-in. The GASB has divided all governments by tiers based on their revenue for fiscal year 1999. Tier 1 governments had revenues in excess of \$100 million; tier 2 governments had revenues between \$10 million and \$100 million; tier 3 governments had revenues less than \$10 million.

In order to assist these governments in implementing this new reporting model, the Division of Local Services has published a GASB 34 Implementation Guide and has established a Forum on its website for government professionals to exchange information, share problems, experiences and solutions on the implementation of GASB 34. Participants in the Forum are free to post relevant comments and/or questions. The Forum and the Guide can be found at <https://forums.dor.state.ma.us/forums/index.jspa>. ■

City & Town

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Joan E. Grouke, *Editor*

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